SELECTED INDICATORS OF ECONOMIC ACTIVITY
(1989 = 100)

Year		Gross Domestic Product: Constant Dollars (1)	Gross Domestic Product: Current Dollars (2)	Industrial Production (3)	Implicit Price Index a/ (4)	Consumer Price Index (5)	After-Tax Profits: Billions of Dollars (6)	After-Tax Profits: As Percent of GDP (7)
1989		100.0	100.0	100.0	100.0	100.0	238	4.3%
1990		101.9	105.8	101.0	103.9	105.4	264	4.6%
1991		101.7	109.3	99.4	107.5	109.8	284	4.7%
1992		105.1	115.6	102.2	110.0	113.2	312	4.9%
1993		107.9	121.4	105.6	112.5	116.5	346	5.2%
1994		112.2	129.0	111.1	114.9	119.5	383	5.4%
1995		115.0	134.9	116.4	117.3	122.9	456	6.2%
1996		119.3	142.5	121.6	119.5	126.5	501	6.4%
1997		124.7	151.4	130.4	121.5	129.5	552	6.6%
1998		129.9	159.5	138.1	122.8	131.5	470	5.4%
1999		135.7	169.0	144.0	124.6	134.4	517	5.6%
2000		140.6	179.0	150.1	127.3	138.9	508	5.2%
2001		141.7	184.7	145.0	130.4	142.8	504	5.0%
2002		143.9	190.9	144.8	132.6	145.1	576	5.5%
2003		147.6	199.9	146.6	135.4	148.4	705	6.1%
2004		153.3	213.6	150.2	139.3	152.3	788	7.2%
2005		158.3	227.1	155.2	143.5	157.5	1,119	9.0%
2006		161.8	240.3	158.6	148.5	162.6	1,405	10.7%
2007		165.1	251.8	161.3	152.5	167.2	1,436	10.4%
2008		167.2	260.4	158.5	155.8	173.6	1330.4	0.1
2001	1Q	141.5	182.7	148.0	129.2	141.7	532	5.3%
	2Q	141.9	184.7	146.1	130.2	143.2	537	5.3%
	3Q	141.4	184.8	143.9	130.7	143.4	474	4.7%
	4Q	141.9	186.5	142.0	131.4	143.0	472	4.6%
2002	1Q	142.9	188.4	142.8	131.8	143.5	519	5.0%
	2Q	143.7	190.1	145.0	132.3	145.0	554	5.3%
	3Q	144.5	192.0	145.8	132.8	145.6	590	5.6%
	4Q	144.6	193.1	145.6	133.6	146.1	641	6.1%
2003	1Q	145.0	195.2	146.6	134.6	147.6	625	5.8%
	2Q	146.3	197.5	145.5	135.0	148.1	622	5.7%
	3Q	148.9	202.1	146.5	135.7	148.8	673	6.1%
	4Q	149.9	204.6	147.8	136.5	148.9	739	6.6%
2004	1Q	151.0	208.0	148.8	137.7	150.2	846	7.4%
	2Q	152.3	211.7	149.5	139.0	152.4	893	7.7%
	3Q	153.7	214.8	150.2	139.8	152.9	897	7.6%
	4Q	154.6	217.9	152.4	140.9	153.8	954	8.0%
2005	1Q	155.8	221.6	154.4	142.3	154.8	1,194	9.8%
	2Q	156.8	224.2	155.1	143.0	156.9	1,200	9.8%
	3Q	158.3	228.6	155.0	144.4	158.8	1,150	9.2%
	4Q	158.8	231.5	156.4	145.8	159.6	1,284	10.1%
2006	1Q	160.7	236.3	157.6	147.1	160.4	1,360	10.5%
	2Q	161.7	239.5	158.6	148.1	163.1	1,425	10.9%
	3Q	162.1	241.6	159.4	149.1	164.1	1,443	10.9%
	4Q	162.7	243.8	159.0	149.9	162.7	1,391	10.4%
2007	1Q	162.7	246.4	159.6	151.4	164.3	1,390	10.3%
	2Q	164.6	250.5	160.8	152.2	167.5	1,446	10.5%
	3Q	166.5	254.4	162.3	152.8	167.9	1,446	10.4%
	4Q	166.5	255.8	162.4	153.7	169.1	1,461	10.4%
2008	1Q	166.8	258.0	162.6	154.7	171.0	1,348.0	9.5%
	2Q	168.0	260.6	161.2	155.2	174.8	1,343.2	9.4%
	3Q	167.8	262.8	157.5	156.7	176.8	1,300.1	9.0%
	4Q	166.1	260.1	152.7	156.6	171.8		

Note: Data are based on Chain Weighted Indexes.

Source: U.S. Bureau of Economic Analysis, www.federalreserve.gov

TREND IN INTEREST RATES AND OUTSTANDING BOND YIELDS
(Percent Per Annum)

						Inflation Indexed		Long-Term Moody's Utility Bonds			Moody's Corporate Bonds
Year		Prime Rate	3- Month Bills a/	10-Year Bonds	Long-Term Bonds b/	10-Year	Long-term Bonds c/	Aa	A	Baa	Aaa
1991		8.38	5.45	7.79	8.09			9.09	9.36	9.55	8.77
1992		6.25	3.51	7.03	7.68			8.55	8.64	8.86	8.14
1993		6.00	3.06	5.85	6.58			7.44	7.59	7.91	7.22
1994		7.25	4.42	7.14	7.41			8.21	8.30	8.63	7.96
1995		8.81	5.63	6.49	6.81			7.77	7.89	8.29	7.59
1996		8.27	5.16	6.47	6.72			7.57	7.75	8.16	7.37
1997		8.46	5.21	6.32	6.57	3.55	3.60	7.54	7.60	7.96	7.26
1998		8.31	4.88	5.21	5.53	3.73	3.73	6.91	7.04	7.27	6.53
1999		8.02	4.83	5.71	5.91	4.00	3.99	7.51	7.62	7.88	7.04
2000		9.27	6.00	5.97	5.88	4.01	4.03	8.06	8.24	8.36	7.62
2001		6.77	3.35	4.99	5.47	3.32	3.32	7.54	7.73	8.02	7.08
2002		4.67	1.62	4.56	5.41	2.81	3.10	7.17	7.35	7.99	6.48
2003		4.10	1.03	4.02	5.03	2.04	2.52	6.35	6.54	6.80	5.60
2004		4.40	1.44	4.27	5.09	1.81	2.19	6.04	6.14	6.39	5.63
2005		6.25	3.30	4.27	4.52	1.80	1.92	5.42	5.62	5.90	5.20
2006		8.02	4.88	4.79	4.87	2.30	2.26	5.83	6.06	6.31	5.57
2007		8.00	4.42	4.58	4.80	2.23	2.29	5.93	6.06	6.33	5.53
2008		4.88	1.28	3.61	4.22	1.80	2.28	6.17	6.54	7.31	5.61
2005	Jan	5.25	2.51	4.14	4.62	1.65	1.91	5.57	5.65	5.80	5.21
	Feb	5.50	2.76	4.36	4.71	1.70	1.93	5.69	5.76	5.91	5.28
	Mar	5.75	2.79	4.50	4.76	1.79	1.89	5.79	5.75	6.04	5.40
	Apr	5.75	2.90	4.21	4.53	1.61	1.80	5.43	5.54	5.86	5.21
	May	6.00	2.99	4.00	4.36	1.63	1.76	5.25	5.41	5.75	5.02
	Jun	6.25	3.13	3.94	4.19	1.67	1.76	4.99	5.35	5.65	4.91
	Jul	6.25	3.42	4.28	4.42	1.92	2.00	5.24	5.53	5.82	5.08
	Aug	6.50	3.52	4.02	4.23	1.65	1.82	5.04	5.30	5.61	4.91
	Sep	6.75	3.55	4.34	4.53	1.78	1.91	5.40	5.65	5.95	5.22
	Oct	6.75	3.98	4.57	4.73	2.00	2.09	5.60	5.91	6.20	5.44
	Nov	7.00	3.95	4.49	4.66	2.12	2.13	5.57	5.85	6.18	5.42
	Dec	7.25	4.08	4.39	4.51	2.06	1.98	5.46	5.69	6.03	5.26
2006	Jan	7.50	4.47	4.53	4.69	2.00	1.98	5.59	5.84	6.15	5.39
	Feb	7.50	4.62	4.55	4.51	2.02	1.93	5.49	5.77	6.04	5.31
	Mar	7.75	4.63	4.86	4.90	2.35	2.29	5.87	6.14	6.41	5.67
	Apr	7.75	4.77	5.07	5.17	2.39	2.42	6.12	6.37	6.61	5.95
	May	8.00	4.86	5.12	5.21	2.48	2.46	6.21	6.43	6.62	5.95
	Jun	8.25	5.01	5.15	5.19	2.54	2.52	6.19	6.43	6.67	5.91
	Jul	8.25	5.10	4.99	5.07	2.41	2.37	6.08	6.29	6.52	5.79
	Aug	8.25	5.05	4.74	4.88	2.24	2.19	5.84	6.07	6.31	5.54
	Sep	8.25	4.89	4.64	4.77	2.27	2.22	5.72	5.90	6.18	5.42
	Oct	8.25	5.08	4.61	4.72	2.34	2.24	5.64	5.84	6.09	5.39
	Nov	8.25	5.03	4.46	4.56	2.16	2.10	5.50	5.68	5.93	5.20
	Dec	8.25	5.02	4.71	4.81	2.41	2.36	5.75	5.95	6.18	5.37
2007	Jan	8.25	5.12	4.83	4.93	2.40	2.38	5.83	6.01	6.22	5.48
	Feb	8.25	5.16	4.56	4.68	2.20	2.22	5.61	5.78	6.01	5.25
	Mar	8.25	5.04	4.65	4.84	2.21	2.30	5.80	5.97	6.25	5.43
	Apr	8.25	4.91	4.63	4.81	2.20	2.29	5.77	5.90	6.16	5.40
	May	8.25	4.73	4.90	5.01	2.54	2.52	5.97	6.10	6.35	5.57
	Jun	8.25	4.82	5.03	5.12	2.65	2.62	6.12	6.24	6.46	5.73
	Jul	8.25	4.96	4.78	4.92	2.44	2.41	6.03	6.18	6.46	5.62
	Aug	8.25	4.01	4.54	4.83	2.34	2.40	6.07	6.17	6.45	5.76
	Sep	7.75	3.82	4.59	4.83	2.27	2.28	6.12	6.22	6.45	5.76
	Oct	7.50	3.94	4.48	4.74	2.14	2.20	6.01	6.07	6.36	5.62
	Nov	7.50	3.15	3.97	4.40	1.63	1.91	5.85	6.00	6.34	5.34
	Dec	7.25	3.36	4.04	4.45	1.73	1.99	5.93	6.07	6.43	5.41
2008	Jan	6.00	1.96	3.67	4.35	1.33	1.69	5.90	6.07	6.40	5.38
	Feb	6.00	1.85	3.53	4.41	1.10	1.72	6.04	6.22	6.63	5.55
	Mar	5.25	1.38	3.45	4.30	1.11	1.81	5.94	6.20	6.74	5.48
	Apr	5.00	1.43	3.77	4.49	1.50	1.98	5.92	6.22	6.74	5.51
	May	5.00	1.89	4.06	4.72	1.58	2.13	6.18	6.36	6.93	5.67
	Jun	5.00	1.90	3.99	4.53	1.48	2.07	6.10	6.32	6.87	5.60
	Jul	5.00	1.68	3.99	4.59	1.65	2.14	6.16	6.44	7.03	5.73
	Aug	5.00	1.72	3.83	4.43	1.68	2.17	6.03	6.32	6.94	5.60
	Sep	5.00	0.92	3.85	4.31	2.25	2.62	6.51	6.98	7.69	6.01
	Oct	4.00	0.46	4.01	4.35	3.14	3.43	7.22	8.01	9.28	6.54
	Nov	4.00	0.01	2.93	3.45	2.60	3.15	6.35	7.18	8.72	5.60
	Dec	3.25	0.11	2.25	2.69	2.14	2.43	5.65	6.20	7.76	4.70
2009	Jan	3.25	0.24	2.87	3.58	1.73	2.50	6.26	6.52	7.97	5.32
	Feb	3.25	0.26	3.02	3.71	2.06	2.59	6.12	6.38	7.85	5.43
	Mar	3.25	0.21	2.71	3.56	1.43	2.06	6.14	6.41	8.04	5.39

a/ Rates on new issues.
b/ 30-year constant maturities, 1991-January 2002. Theoretical 30-year yield, February 2002 to January 2006. 30-year constant maturities from February 2006.
c/ Yield on inflation-indexed bonds with a term to maturity over 10-years. 1997-September 2001, Global Financial Data Inc; October 2001-December 2002, Wall Street Journal; January 2003-pres., Federal Reserve.

Note: Monthly data reflect rate in effect at end of month.

Source: www.federalreserve.gov, www.ustreas.gov and Moody's *Credit Perspectives* .

INDIVIDUAL COMPANY RISK DATA FOR
29 SELECTED U.S. ELECTRIC COMPANIES

	Value Line							S & P					
Company	**Safety Rank**	**Earnings Predictability**	**Financial Strength**	**Beta**	**Forecast Return On Average Common Equity 2011-2013 (%)**	**Forecast Common Equity Ratio 2011-2013 (%)**	**Dividend Payout Ratio 2011-2013 (%)**	**Debt Rating**	**Business Risk Profile**	**Financial Profile**	**Moody's Debt Rating**	**Common Equity Ratio (Total Capital) 2008 (%)**	**Average Market/ Book Ratio 2008 1/**
ALLETE INC	2	NMF	A	0.65	9.8	52.5	69.1	BBB+	Strong	Intermediate	Baa1	57.8	1.01
ALLIANT ENERGY CORP	2	65	A	0.65	10.7	64.0	58.2	BBB+	Excellent	Aggressive	Baa1	56.0	0.88
AMEREN CORP	2	80	A	0.75	10.8	51.5	67.7	BBB-	Satisfactory	Aggressive	Baa3	45.6	0.66
AMERICAN ELECTRIC POWER	3	90	B++	0.70	11.3	42.0	50.7	BBB	Excellent	Aggressive	Baa2	37.3	1.00
AVISTA CORP	3	45	B+	0.70	8.5	52.5	65.7	BBB-	Strong	Aggressive	Baa3	45.5	0.75
CENTERPOINT ENERGY INC	3	50	B	0.80	18.0	31.5	57.6	BBB	Excellent	Aggressive	Ba1	16.0	1.68
CLECO CORP	3	65	B+	0.75	11.8	54.0	62.0	BBB	Strong	Aggressive	Baa3	47.5	1.18
CMS ENERGY CORP	3	5	B	0.85	11.5	31.0	66.7	BBB-	Excellent	Aggressive	Ba1	26.0	1.04
DPL INC	3	50	B++	0.60	20.3	49.0	57.0	BBB	Excellent	Aggressive	Baa2	38.3	2.52
DTE ENERGY CO	3	55	B+	0.65	9.1	44.5	68.0	BBB	Excellent	Aggressive	Baa2	40.4	0.71
EDISON INTERNATIONAL	3	20	B++	0.80	13.3	50.5	29.5	BBB-	Strong	Aggressive	Baa2	40.2	0.92
ENTERGY CORP	2	85	A	0.70	13.7	41.0	41.3	BBB	Strong	Aggressive	Baa3	38.8	1.54
EXELON CORP	1	90	A+	0.90	24.6	52.0	40.8	BBB	Strong	Aggressive	Baa1	45.5	2.64
FIRSTENERGY CORP	2	65	A	0.80	15.6	54.0	45.7	BBB	Excellent	Aggressive	Baa3	37.2	1.43
GREAT PLAINS ENERGY INC	3	75	B++	0.65	8.5	47.5	94.9	BBB	Excellent	Aggressive	Baa2	44.0	0.58
IDACORP INC	3	50	B+	0.70	8.4	51.5	45.3	BBB	Strong	Aggressive	Baa2	47.8	0.80
INTEGRYS ENERGY GROUP INC	2	55	B++	0.70	9.9	61.5	59.8	BBB+	Excellent	Intermediate	A3	45.6	0.59
NORTHEAST UTILITIES	3	35	B+	0.70	8.7	44.5	51.1	BBB	Excellent	Aggressive	Baa2	35.1	1.08
OTTER TAIL CORP	2	75	A	0.90	9.6	68.0	64.0	BBB-	Satisfactory	Aggressive	A3	57.8	1.01
PEPCO HOLDINGS INC	3	75	B	0.75	10.9	48.5	43.6	BBB	Strong	Aggressive	Baa3	41.4	0.64
PG&E CORP	2	5	B++	0.60	12.0	51.5	51.0	BBB+	Excellent	Intermediate	Baa1	43.8	1.45
PINNACLE WEST CAPITAL CORP	2	60	A	0.70	7.8	52.5	73.3	BBB-	Strong	Aggressive	Baa3	47.0	0.73
PORTLAND GENERAL ELECTRIC (	2	NMF	B++	0.70	9.3	52.0	53.3	BBB+	Strong	Intermediate	Baa2	47.3	0.77
PROGRESS ENERGY INC	2	75	B++	0.60	9.5	47.0	73.1	BBB+	Excellent	Aggressive	Baa2	42.0	1.03
PUBLIC SERVICE ENTRP GRP	3	75	B++	0.80	16.6	57.0	42.5	BBB	Excellent	Aggressive	Baa2	46.0	1.73
TECO ENERGY INC	3	30	B	0.75	11.5	42.0	65.4	BBB-	Excellent	Aggressive	Baa3	37.8	1.07
WESTAR ENERGY INC	2	25	B++	0.75	7.4	54.0	68.0	BBB-	Excellent	Aggressive	Baa3	45.6	0.82
WISCONSIN ENERGY CORP	2	75	B++	0.65	12.5	50.5	45.9	BBB+	Excellent	Aggressive	A3	41.2	1.36
XCEL ENERGY INC	2	45	B++	0.65	11.2	49.0	53.0	BBB+	Excellent	Aggressive	Baa1	44.0	1.13
MEAN	**2**	**56**	**B++**	**0.72**	**11.8**	**49.9**	**57.4**	**BBB+**	**Excellent**	**Aggressive**	**Baa2**	**42.7**	**1.13**
MEDIAN	**2**	**60**	**B++**	**0.70**	**10.9**	**51.5**	**57.6**	**BBB**	**Excellent**	**Aggressive**	**Baa2**	**44.0**	**1.01**

1/ Average daily closing prices February 26 to March 26, 2009 divided by 2008 year end book value per share.

Source: *Value Line* (Issue 1, February 27, 2009; Issue 5, December 26, 2008; Issue 11, February 6, 2009); Value Line Index on March 20, 2009;
Standard & Poor's *Issuer Ranking: U.S. Regulated Electric Utilties, Strongest to Weakest* (March 2, 2009);
www.moodys.com, company 10-Qs; S&P Research Insight.

HISTORIC VALUE LINE BETAS FOR
29 SELECTED U.S. ELECTRIC UTILITIES

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Q1
ALLETE INC	0.65	0.70	0.60	0.45	0.50	0.45	0.60	0.70	nmf	nmf	0.90	0.95	0.75	0.65
ALLIANT ENERGY CORP	0.60	0.55	nmf	nmf	0.55	0.55	0.65	0.70	0.80	0.85	0.95	0.80	0.70	0.65
AMEREN CORP	0.70	0.70	0.65	0.50	0.55	0.55	0.60	0.65	0.75	0.75	0.75	0.80	0.80	0.75
AMERICAN ELECTRIC POWER CO	0.70	0.70	0.65	0.45	0.55	0.55	0.75	0.95	1.15	1.20	1.35	0.95	0.75	0.70
AVISTA CORP	0.70	0.70	0.70	0.50	0.55	0.60	0.65	0.75	0.85	0.90	0.95	1.00	0.85	0.70
CENTERPOINT ENERGY INC	0.75	0.85	0.80	0.55	0.60	0.60	1.10	nmf	0.55	0.65	0.65	0.95	0.90	0.80
CLECO CORP	0.60	0.70	0.70	0.55	0.55	0.55	0.65	0.90	1.10	1.15	1.30	1.15	0.80	0.75
CMS ENERGY CORP	0.85	0.70	0.65	0.50	0.55	0.50	0.75	1.10	1.30	1.45	1.65	1.35	0.95	0.85
DPL INC	0.70	0.75	0.70	0.55	0.55	0.60	0.75	0.80	0.90	1.00	0.95	0.85	0.65	0.60
DTE ENERGY CO	0.80	0.80	0.75	0.60	0.60	0.55	0.60	0.60	0.70	0.70	0.75	0.80	0.70	0.65
EDISON INTERNATIONAL	0.65	0.75	0.75	0.60	0.65	0.65	0.80	0.90	1.05	1.05	1.15	1.05	0.85	0.80
ENTERGY CORP	0.75	0.80	0.70	0.50	0.60	0.50	0.60	0.65	0.75	0.80	0.85	0.85	0.75	0.70
EXELON CORP	na	na	na	na	nmf	nmf	0.70	0.70	0.70	0.75	0.90	0.90	0.90	0.90
FIRSTENERGY CORP	0.80	0.80	0.70	0.50	0.55	0.55	0.55	0.75	0.75	0.75	0.80	0.85	0.85	0.80
GREAT PLAINS ENERGY INC	0.80	0.75	0.60	0.60	0.60	0.55	0.65	0.70	0.80	0.85	0.95	0.80	0.65	0.65
IDACORP INC	0.70	0.70	0.65	0.50	0.50	0.50	0.60	0.75	0.85	0.95	1.00	1.00	0.85	0.70
INTEGRYS ENERGY GROUP INC	0.65	0.65	0.65	0.50	0.55	0.55	0.60	0.70	0.75	0.75	0.85	0.80	0.70	0.70
NORTHEAST UTILITIES	0.80	0.85	0.75	0.55	0.60	0.50	0.65	0.70	0.75	0.80	0.90	0.80	0.75	0.70
OTTER TAIL CORP	0.50	0.50	0.55	0.55	0.60	0.55	0.60	0.55	0.60	0.60	0.65	0.95	0.90	0.90
PEPCO HOLDINGS INC	0.80	0.75	0.60	0.50	0.50	0.50	nmf	nmf	0.85	0.90	0.90	0.95	0.75	0.75
PG&E CORP	0.75	0.65	0.60	0.40	0.45	0.55	0.80	0.90	1.05	1.10	1.15	0.95	0.85	0.60
PINNACLE WEST CAPITAL CORP	0.80	0.75	0.70	0.45	0.45	0.45	0.55	0.70	0.85	0.90	1.00	1.00	0.75	0.70
PORTLAND GENERAL ELECTRIC CO	na	na	na	na	na	na	na	na	na	na	nmf	nmf	0.70	0.70
PROGRESS ENERGY INC	0.65	0.65	0.50	0.45	0.45	nmf	nmf	0.80	0.80	0.85	0.90	0.85	0.60	0.60
PUBLIC SERVICE ENTRP GRP INC	0.80	0.75	0.55	0.50	0.55	0.55	0.70	0.80	0.85	0.90	1.00	0.95	0.85	0.80
TECO ENERGY INC	0.70	0.70	0.55	0.50	0.50	0.50	0.70	0.80	0.90	0.95	1.05	0.95	0.75	0.75
WESTAR ENERGY INC	0.65	0.65	0.55	0.35	0.30	0.35	0.50	0.60	0.75	0.85	0.90	0.85	0.80	0.75
WISCONSIN ENERGY CORP	0.70	0.70	0.65	0.45	0.50	0.50	0.55	0.60	0.70	0.70	0.80	0.85	0.65	0.65
XCEL ENERGY INC	na	na	na	na	nmf	nmf	0.60	0.70	0.80	0.80	0.90	1.05	0.75	0.65
MEAN	**0.71**	**0.71**	**0.65**	**0.50**	**0.53**	**0.53**	**0.66**	**0.75**	**0.84**	**0.89**	**0.96**	**0.93**	**0.78**	**0.72**
MEDIAN	**0.70**	**0.70**	**0.65**	**0.50**	**0.55**	**0.55**	**0.65**	**0.70**	**0.80**	**0.85**	**0.90**	**0.95**	**0.75**	**0.70**

Source: *Value Line*, 4th Quarter issues and Issue 1 3rd Quarter of 1996

DCF COSTS OF EQUITY FOR SAMPLE OF
29 U.S. ELECTRIC UTILITIES
(BASED ON I/B/E/S EARNINGS GROWTH FORECASTS)
QUARTERLY COMPOUNDING

Company	Annualized Last Paid Dividend (1)	Average Daily Closing Prices Feb. 26 - Mar. 26, 2009 (2)	Current Dividend Yield (3)	Average I/B/E/S Long-Term EPS Forecasts (As of Mar. 27, 2009) (4)	DCF Cost of Equity (5)
ALLETE	1.76	25.73	6.84	6.5	13.9
Alliant Energy	1.50	22.50	6.67	6.0	13.1
Ameren Corp.	1.54	21.72	7.09	4.0	11.4
Amer. Elec. Power	1.64	26.36	6.22	4.2	11.0
Avista Corp.	0.72	13.66	5.27	4.7	10.3
CenterPoint Energy	0.76	9.91	7.67	18.0	26.9
Cleco Corp.	0.90	20.74	4.34	12.4	17.6
CMS Energy Corp.	0.50	11.32	4.42	6.5	11.2
DPL Inc.	1.14	21.18	5.38	7.4	13.2
DTE Energy	2.12	26.08	8.13	3.5	12.3
Edison Int'l	1.24	26.96	4.60	2.2	6.9
Entergy Corp.	3.00	64.92	4.62	9.4	14.8
Exelon	2.10	44.38	4.73	8.5	13.6
FirstEnergy Corp.	2.20	38.94	5.65	9.0	15.6
G't Plains Energy	0.83	12.42	6.70	7.7	14.9
IDACORP, Inc.	1.20	22.96	5.23	5.0	10.8
Integrys Energy	2.72	24.00	11.34	13.6	26.5
Northeast Utilities	0.95	20.86	4.56	8.5	13.4
Otter Tail Corp.	1.19	19.27	6.19	8.5	15.7
Pepco Holdings	1.08	12.22	8.84	4.3	13.9
PG&E Corp.	1.56	37.78	4.13	7.1	11.7
Pinnacle West Capital	2.10	25.09	8.37	4.3	13.6
Portland General	0.98	16.76	5.85	6.0	12.5
Progress Energy	2.48	33.94	7.31	5.5	13.5
Public Service Enterprise Group	1.33	26.49	5.03	6.0	11.3
TECO Energy	0.80	10.06	7.96	8.7	17.8
Westar Energy	1.20	16.45	7.29	3.6	11.3
Wisconsin Energy	1.35	38.69	3.49	9.1	12.9
Xcel Energy Inc.	0.95	17.38	5.48	6.7	12.8
Mean	**1.44**	**24.44**	**6.19**	**7.1**	**13.9**
Median	**1.24**	**22.50**	**5.85**	**6.5**	**13.2**

Source: Standard & Poor's Research Insight, www.yahoo.com

DCF COSTS OF EQUITY FOR SAMPLE OF
29 U.S. ELECTRIC UTILITIES
(SUSTAINABLE GROWTH WITH SV AND QUARTERLY COMPOUNDING)

Company	Annualized Last Paid Dividend (1)	Average Daily Closing Prices Feb. 26 - Mar. 26, 2009 (2)	Expected Dividend Yield 1/ (3)	Forecast Return on Common Equity (4)	Forecast Earnings Retention Rate (5)	BR Growth 2/ (March 2009) (6)	SV Growth 3/ (March 2009) (7)	Sustainable Growth 4/ (March 2009) (8)	DCF Cost of Equity 5/ (9)
ALLETE	1.76	25.73	7.1	9.8	30.9	3.0	1.31	4.3	11.6
Alliant Energy	1.50	22.50	7.0	10.7	41.8	4.5	0.21	4.7	11.8
Ameren Corp.	1.54	21.72	7.4	10.8	32.3	3.5	0.19	3.7	11.1
Amer. Elec. Power	1.64	26.36	6.6	11.3	49.3	5.6	0.14	5.7	12.7
Avista Corp.	0.72	13.66	5.4	8.5	34.3	2.9	0.13	3.0	10.5
CenterPoint Energy	0.76	9.91	8.3	18.0	42.4	7.7	0.25	7.9	16.3
Cleco Corp.	0.90	20.74	4.6	11.8	38.0	4.5	0.42	4.9	9.6
CMS Energy Corp.	0.50	11.32	4.6	11.5	33.3	3.8	0.25	4.1	8.7
DPL Inc.	1.14	21.18	5.9	20.3	43.0	8.7	0.80	9.5	15.4
DTE Energy	2.12	26.08	8.4	9.1	32.0	2.9	0.00	2.9	11.6
Edison Int'l	1.24	26.96	5.0	13.3	70.5	9.4	0.00	9.4	14.3
Entergy Corp.	3.00	64.92	5.0	13.7	58.8	8.0	-0.30	7.8	13.0
Exelon	2.10	44.38	5.4	24.6	59.2	14.6	-0.79	13.8	19.1
FirstEnergy Corp.	2.20	38.94	6.1	15.6	54.3	8.5	0.00	8.5	15.0
G't Plains Energy	0.83	12.42	6.8	8.5	5.1	0.4	0.49	0.9	7.8
IDACORP, Inc.	1.20	22.96	5.5	8.4	54.7	4.6	0.20	4.8	10.6
Integrys Energy	2.72	24.00	11.8	9.9	40.2	4.0	0.08	4.1	16.2
Northeast Utilities	0.95	20.86	4.8	8.7	48.9	4.2	0.94	5.2	10.0
Otter Tail Corp.	1.19	19.27	6.4	9.6	36.0	3.4	0.62	4.1	10.8
Pepco Holdings	1.08	12.22	9.4	10.9	56.4	6.1	0.19	6.3	16.3
PG&E Corp.	1.56	37.78	4.4	12.0	49.0	5.9	0.32	6.2	10.7
Pinnacle West Capital	2.10	25.09	8.6	7.8	26.7	2.1	0.05	2.1	11.1
Portland General	0.98	16.76	6.1	9.3	46.7	4.3	0.48	4.8	11.2
Progress Energy	2.48	33.94	7.5	9.5	26.9	2.5	0.18	2.7	10.5
Public Service Enterprise Group	1.33	26.49	5.5	16.6	57.5	9.5	-0.35	9.2	14.6
TECO Energy	0.80	10.06	8.3	11.5	34.6	4.0	0.15	4.1	12.8
Westar Energy	1.20	16.45	7.5	7.4	32.0	2.4	-0.06	2.3	9.9
Wisconsin Energy	1.35	38.69	3.7	12.5	54.1	6.7	0.00	6.7	10.5
Xcel Energy Inc.	0.95	17.38	5.8	11.2	47.0	5.3	0.07	5.4	11.3
Mean	**1.44**	**24.44**	**6.51**	**11.81**	**42.62**	**5.28**	**0.21**	**5.48**	**12.2**
Median	**1.24**	**22.50**	**6.13**	**10.90**	**42.42**	**4.47**	**0.18**	**4.81**	**11.3**

1/ Expected Dividend Yield = (Col (1) / Col (2)) * (1 + Col (8))
2/ BR Growth = Col (4) * (Col (5) / 100)
3/ SV Growth = Percent expected growth in number of shares of stock * Percent of funds from new equity financing that accrues to existing shareholders [1- Book/Market].
4/ Col (6) + Col (7)
5/ Expected Dividend Yield Col (3) + Sustainable Growth Col (8)

Source: Standard and Poors Research Insight, *Value Line* (March 2009)

DCF COSTS OF EQUITY FOR SAMPLE OF
29 U.S. ELECTRIC UTILITIES
(THREE-STAGE MODEL)

Company	Annualized Last Paid Dividend (1)	Average Daily Closing Prices Feb. 26 - Mar. 26, 2009 (2)	Current Dividend Yield (3)	Stage 1 I/B/E/S (As of Mar. 27, 2009) EPS Forecasts (4)	Stage 2 Average of Stage 1 & 3 Growth Rates (5)	Stage 3 GDP Growth [1/]	DCF Cost of Equity [2/] (6)
ALLETE	1.76	25.73	6.84	6.5	5.8	5.0	12.9
Alliant Energy	1.50	22.50	6.67	6.0	5.5	5.0	12.5
Ameren Corp.	1.54	21.72	7.09	4.0	4.5	5.0	12.1
Amer. Elec. Power	1.64	26.36	6.22	4.2	4.6	5.0	11.6
Avista Corp.	0.72	13.66	5.27	4.7	4.8	5.0	10.5
CenterPoint Energy	0.76	9.91	7.67	18.0	11.5	5.0	19.9
Cleco Corp.	0.90	20.74	4.34	12.4	8.7	5.0	12.3
CMS Energy Corp.	0.50	11.32	4.42	6.5	5.8	5.0	10.1
DPL Inc.	1.14	21.18	5.38	7.4	6.2	5.0	11.6
DTE Energy	2.12	26.08	8.13	3.5	4.3	5.0	13.2
Edison Int'l	1.24	26.96	4.60	2.2	3.6	5.0	9.0
Entergy Corp.	3.00	64.92	4.62	9.4	7.2	5.0	11.6
Exelon	2.10	44.38	4.73	8.5	6.7	5.0	11.1
FirstEnergy Corp.	2.20	38.94	5.65	9.0	7.0	5.0	12.9
G't Plains Energy	0.83	12.42	6.70	7.7	6.3	5.0	13.2
IDACORP, Inc.	1.20	22.96	5.23	5.0	5.0	5.0	10.8
Integrys Energy	2.72	24.00	11.34	13.6	9.3	5.0	22.7
Northeast Utilities	0.95	20.86	4.56	8.5	6.8	5.0	10.9
Otter Tail Corp.	1.19	19.27	6.19	8.5	6.8	5.0	13.3
Pepco Holdings	1.08	12.22	8.84	4.3	4.6	5.0	14.4
PG&E Corp.	1.56	37.78	4.13	7.1	6.1	5.0	10.1
Pinnacle West Capital	2.10	25.09	8.37	4.3	4.7	5.0	14.0
Portland General	0.98	16.76	5.85	6.0	5.5	5.0	11.8
Progress Energy	2.48	33.94	7.31	5.5	5.3	5.0	13.1
Public Service Enterprise Group	1.33	26.49	5.03	6.0	5.5	5.0	10.6
TECO Energy	0.80	10.06	7.96	8.7	6.8	5.0	15.6
Westar Energy	1.20	16.45	7.29	3.6	4.3	5.0	12.2
Wisconsin Energy	1.35	38.69	3.49	9.1	7.1	5.0	9.7
Xcel Energy Inc.	0.95	17.38	5.48	6.7	5.9	5.0	11.6
Mean	**1.44**	**24.44**	**6.19**	**7.1**	**6.1**	**5.0**	**12.6**
Median	**1.24**	**22.50**	**5.85**	**6.5**	**5.8**	**5.0**	**12.1**

1/ Forecast nominal rate of GDP growth, 2010-19
2/ Internal Rate of Return: I/B/E/S EPS forecast growth rate applies for first 5 years, average of I/B/E/S and GDP for next 5 years,GDP growth thereafter.

Source: Standard & Poor's Research Insight; www.yahoo.com; Blue Chip Financial Forecasts (December 2008)

HISTORIC MARKET EQUITY RISK PREMIUMS
(Percentages)

	Annual Average Returns		
	S & P 500 Common Stock Index	U.S. Treasury Bonds [1/]	Risk Premium
1926-2008	11.7	5.2	6.5
1947-2008	12.2	6.0	6.2

	Annual Average Returns		
	S&P / Moody's Gas Distribution Stock Index	U.S. Treasury Bonds [1/]	Risk Premium
1947-2008	12.1	6.0	6.1

	Annual Average Returns		
	S&P/Moody's Electric Index Return	U.S. Treasury Bonds [1/]	Risk Premium
1947-2008	10.8	6.0	4.8

[1/] Average of annual income returns for 20-year bond.

Notes:

The S&P/Moody's Gas Distribution Index reflects S&P's Natural Gas Distributors Index from 1947 to 1984, when S&P eliminated its gas distribution index. The 1985-2001 data are for Moody's Gas index. The index was terminated in July 2002. The 2002-2008 returns were estimated using simple averages of the prices and dividends for the utilities that were included in Moody's Gas Index as of the end of 2001. These LDCs include AGL Resources, Keyspan Corp., Laclede Group, Northwest Natural, Peoples Energy and WGL Holdings.

The S&P/Moody's Electric Index reflects S&P's Electric Index from 1947 to 1998 and Moody's Electric Index from 1999 to 2001. The 2002 to 2008 data were estimated using simple average of the prices and dividends for the utilities included in Moody's Electric Index as of the end of 2001. These utilities include American Electric Power, Centerpoint Energy, CH Energy, Cinergy, Consolidated Edison, Constellation, Dominion Resources, DPL, DTE Energy, Duke Energy, Energy East, Exelon, FirstEnergy, IDACORP, Nisource, OGE Energy, Pepco Holdings, PPL, Progress Energy, Public Service Enterprise Grp., Southern Co., Teco and Xcel Energy.

Sources: Standard & Poor's Analysts' Handbook;
Ibbotson Associates, Stocks, Bonds, Bills and Inflation Yearbook 2009;
Mergent Corporate News Reports; Standard & Poor's Research Insight

HISTORIC MARKET EQUITY RISK PREMIUMS
(Percentages)

	Annual Average Returns		
	S&P / Moody's Gas Distribution Stock Index	Moody's Baa-Rated Public Utility Bonds	Risk Premium
1947-2008	12.1	7.2	4.9

	Annual Average Returns		
	S&P/Moody's Electric Index Return	Moody's Baa-Rated Public Utility Bonds	Risk Premium
1947-2008	10.8	7.2	3.6

Notes:

The S&P/Moody's Gas Distribution Index reflects S&P's Natural Gas Distributors Index from 1947 to 1984, when S&P eliminated its gas distribution index. The 1985-2001 data are for Moody's Gas index. The index was terminated in July 2002. The 2002-2008 returns were estimated using simple averages of the prices and dividends for the utilities that were included in Moody's Gas Index as of the end of 2001. These LDCs include AGL Resources, Keyspan Corp., Laclede Group, Northwest Natural, Peoples Energy and WGL Holdings.

The S&P/Moody's Electric Index reflects S&P's Electric Index from 1947 to 1998 and Moody's Electric Index from 1999 to 2001. The 2002 to 2008 data were estimated using simple average of the prices and dividends for the utilities included in Moody's Electric Index as of the end of 2001. These utilities include American Electric Power, Centerpoint Energy, CH Energy, Cinergy, Consolidated Edison, Constellation, Dominion Resources, DPL, DTE Energy, Duke Energy, Energy East, Exelon, FirstEnergy, IDACORP, Nisource, OGE Energy, Pepco Holdings, PPL, Progress Energy, Public Service Enterprise Grp., Southern Co., Teco and Xcel Energy.

Sources: Standard & Poor's Analysts' Handbook;
Ibbotson Associates, Stocks, Bonds, Bills and Inflation Yearbook 2009;
Mergent Corporate News Reports; Standard & Poor's Research Insight

DCF-BASED EQUITY RISK PREMIUM STUDY FOR 29 SELECTED U.S. ELECTRIC COMPANIES

	Expected Dividend Yield	I/B/E/S EPS Growth Forecast	DCF Cost	30 Year Treasury	Risk Premium Over 30-Year Treasury	Moodys Long-Term Baa-Rated Public Utility Bonds	Risk Premium Over Moodys Long-Term Baa-Rated Public Utility Bonds
Aug-07	3.9	5.8	10.4	4.8	5.6	6.5	4.0
Sep-07	3.8	5.8	10.3	4.8	5.5	6.5	3.9
Oct-07	3.6	5.9	10.3	4.7	5.5	6.4	3.9
Nov-07	3.7	6.0	10.7	4.4	6.3	6.3	4.3
Dec-07	3.7	7.3	10.8	4.5	6.4	6.4	4.4
Jan-08	4.1	7.3	11.4	4.4	7.0	6.4	5.0
Feb-08	4.3	7.7	11.7	4.4	7.3	6.6	5.1
Mar-08	4.6	6.7	11.4	4.3	7.1	6.7	4.6
Apr-08	4.2	6.7	11.4	4.5	6.9	6.7	4.7
May-08	4.1	7.3	11.4	4.7	6.7	6.9	4.5
Jun-08	4.3	7.3	11.3	4.5	6.8	6.9	4.4
Jul-08	4.4	6.5	11.4	4.6	6.8	7.0	4.4
Aug-08	4.3	6.9	11.6	4.4	7.1	6.9	4.6
Sep-08	4.5	7.3	11.8	4.3	7.5	7.7	4.1
Oct-08	5.2	7.3	12.4	4.4	8.0	9.3	3.1
Nov-08	5.3	7.3	11.9	3.5	8.4	8.7	3.1
Dec-08	5.3	6.7	11.9	2.7	9.3	7.8	4.2
Jan-09	5.5	6.8	12.1	3.6	8.6	8.0	4.2
Feb-09	6.3	6.7	12.8	3.7	9.1	7.9	5.0
Mar-09	5.9	6.5	12.7	3.7	9.1	8.0	4.7
Average	4.5	6.8	11.5	4.2	7.2	7.2	4.3

1/ Dividend Yield is adjusted for I/B/E/S growth

Source: Standard & Poor's Research Insight, I/B/E/S,
www.federalreserve.gov

BOOK VALUE AND MARKET VALUE CAPITAL STRUCTURES FOR 29 SELECTED U.S. ELECTRIC UTILITIES

	Book Value Common Equity Ratio (Total Capital)			Market Value Common Equity Ratio (Debt at Par)		
Company	**CAPM[1/]**	**DCF-Based Risk Premium[2/]**	**DCF[3/]**	**CAPM[1/]**	**DCF-Based Risk Premium[2/]**	**DCF[3/]**
ALLETE INC	61.4%	60.7%	57.8%	73.5%	75.0%	58.1%
ALLIANT ENERGY CORP	53.7%	57.3%	56.0%	61.3%	64.3%	52.9%
AMEREN CORP	39.6%	37.9%	45.6%	56.0%	55.7%	35.7%
AMERICAN ELECTRIC POWER	48.7%	46.3%	37.3%	51.8%	47.0%	36.8%
AVISTA CORP	42.8%	45.9%	45.5%	47.9%	48.1%	38.4%
CENTERPOINT ENERGY INC	13.9%	15.7%	16.0%	34.0%	30.3%	24.3%
CLECO CORP	50.7%	50.6%	47.5%	64.3%	55.2%	51.5%
CMS ENERGY CORP	23.2%	24.9%	26.0%	29.7%	30.0%	26.7%
DPL INC	34.3%	36.3%	38.3%	62.1%	64.6%	60.9%
DTE ENERGY CO	40.0%	40.6%	40.4%	43.1%	46.1%	32.5%
EDISON INTERNATIONAL	40.0%	42.2%	40.2%	56.4%	52.1%	38.3%
ENTERGY CORP	44.0%	39.7%	38.8%	65.0%	58.5%	49.4%
EXELON CORP	42.3%	43.9%	45.5%	77.5%	74.1%	68.8%
FIRSTENERGY CORP	42.5%	40.2%	37.2%	62.1%	57.5%	45.9%
GREAT PLAINS ENERGY INC	48.0%	47.1%	44.0%	58.4%	51.2%	31.3%
IDACORP INC	48.1%	47.5%	47.8%	53.4%	50.2%	43.1%
INTEGRYS ENERGY GROUP INC	48.2%	49.4%	45.6%	61.7%	46.0%	33.1%
NORTHEAST UTILITIES	36.1%	36.6%	35.1%	45.9%	40.2%	36.8%
OTTER TAIL CORP	58.2%	55.6%	57.8%	73.2%	65.9%	58.0%
PEPCO HOLDINGS INC	39.8%	42.1%	41.4%	45.7%	45.3%	31.1%
PG&E CORP	43.6%	43.9%	43.8%	57.5%	54.7%	53.1%
PINNACLE WEST CAPITAL CORP	49.7%	48.2%	47.0%	50.7%	51.8%	39.5%
PORTLAND GENERAL ELECTRIC CO	53.1%	48.7%	47.3%	55.8%	49.8%	41.0%
PROGRESS ENERGY INC	43.6%	43.7%	42.0%	51.1%	50.6%	42.7%
PUBLIC SERVICE ENTRP GRP	37.1%	44.2%	46.0%	63.4%	63.7%	59.5%
TECO ENERGY INC	32.1%	38.3%	37.8%	47.3%	50.7%	39.3%
WESTAR ENERGY INC	45.6%	45.4%	45.6%	53.3%	46.6%	40.2%
WISCONSIN ENERGY CORP	40.5%	41.1%	41.2%	55.3%	50.9%	48.7%
XCEL ENERGY INC	43.0%	43.8%	44.0%	53.1%	49.2%	47.1%
Mean	**42.9%**	**43.4%**	**42.7%**	**55.5%**	**52.6%**	**43.6%**

[1/] Calculation of market value capital structures based on average of monthly closing prices January 2004-December 2008 and book values per share at the end of each year.
[2/] Calculation of market value capital structures based on average of monthly closing prices August 2007 to March 2009 and book values per share at the end of 2007 and 2008.
[3/] Calculation of market value capital structures based on prices used in the DCF analysis and book value per share at the end of 2008.

Source: Research Insight

QUANTIFICATION OF IMPACT ON EQUITY RETURN REQUIREMENT FOR DIFFERENCE BETWEEN PROXY SAMPLE MARKET VALUE CAPITAL STRUCTURE AND AMERENCIPS RATEMAKING CAPITAL STRUCTURE BASED ON 12.6% COST OF EQUITY DERIVED FROM THE CONSTANT GROWTH IBES DCF TEST

Formula for After-Tax Weighted Average Cost of Capital:

$WACC_{AT}$ = (Debt Cost)(1-tax rate)(Debt Ratio) + (Equity Cost)(Equity Ratio)

APPROACH 1:

The after-tax weighted average cost of capital ($WACC_{AT}$) is invariant to changes in the capital structure. The cost of equity falls as leverage (debt ratio) falls, but the $WACC_{AT}$ stays the same.

$WACC_{AT(MV)}$ = $WACC_{AT(RM)}$

Where MV = sample average market value capital structure
RM = ratemaking capital structure

ASSUMPTIONS:

Debt Cost	=	Current Cost of Long Term Debt for BBB rated utility
	=	7.60%
Equity Cost	=	Cost of Equity
	=	12.60%
Tax Rate	=	38.5%
CEQ $Ratio_{MV}$	=	44.0%
Debt $Ratio_{MV}$	=	56.0%
CEQ $Ratio_{RM}$	=	48.7%
Debt $Ratio_{RM}$	=	51.3%

STEPS:

1. Estimate $WACC_{AT}$ at sample average market value capital structure (common equity ratio of 44.0%)

   $WACC_{AT}$ = (7.6%)(1-.385)(56.0%) + (12.6%)(44.0%)
   = 8.16%

2. Estimate Cost of Equity at 48.7% ratemaking common equity ratio with $WACC_{AT}$ unchanged at 8.16%

   $WACC_{AT}$ = (Debt Cost)(1-tax rate)(Debt Ratio) + (Equity Cost)(Equity Ratio)
   8.16% = (7.6%)(1-.385)(51.3%) + (X)(48.7%)
   Cost of Equity at 48.7% Equity Ratio = 11.8%

3. Difference between Equity Return at 44.0% and 48.7% common equity ratios:

   11.84% - 12.60% = -0.76% (-76 basis points)

APPROACH 2:

After-Tax Cost of Capital Increases as Debt Ratio Falls; Cost of Equity Falls

$$WACC_{AT(RM)} = WACC_{AT(MV)} \times \frac{(1-tD_{RM})}{(1-tD_{MV})}$$

Where RM,MV as before
t = tax rate
D = debt ratio

ASSUMPTIONS:

Debt Cost	=	Current Cost of Long Term Debt for BBB rated utility
	=	7.60%
Equity Cost	=	Cost of Equity
	=	12.60%
Tax Rate	=	38.5%
CEQ $Ratio_{MV}$	=	44.0%
Debt $Ratio_{MV}$	=	56.0%
CEQ $Ratio_{RM}$	=	48.7%
Debt $Ratio_{RM}$	=	51.3%

STEPS:

1. Estimate $WACC_{AT}$ at sample average market value capital structure (common equity ratio of 44.0%)

$$WACC_{AT} = (7.6\%)(1-.385)(56.0\%) + (12.6\%)(44.0\%)$$
$$= 8.16\%$$

2. Estimate $WACC_{AT}$ at ratemaking capital structure (common equity ratio of 48.7%)

$$WACC_{AT(RM)} = WACC_{AT(MV)} \times (1\text{-}t \times \text{Debt } Ratio_{RM})/(1\text{-}t \times \text{Debt } Ratio_{MV})$$

$$WACC_{AT(RM)} = 8.16\% \times \frac{(1-.385 \times 51.3\%)}{(1-.385 \times 56.0\%)}$$

$$WACC_{AT(RM)} = 8.350\%$$

3. Estimate Cost of Equity at new $WACC_{AT}$ at the ratemaking capital structure:

$$WACC_{AT(RM)} = (\text{Debt Cost})(1\text{-tax rate})(\text{Debt } Ratio_{RM}) + (\text{Equity Cost})(\text{Equity } Ratio_{RM})$$
$$8.350\% = (7.6\%)(1-.385)(51.3\%) + (X)(48.7\%)$$
$$\text{Cost of Equity at 48.7\% Equity Ratio} = 12.22\%$$

4. Difference between Equity Return at 44.0% and 48.7% common equity ratios:

12.22% - 12.60% = -0.38% (-38 basis points)

Summary of Both Approaches:

Required Equity Return at 44.0% Common Equity Ratio: 12.6%
Required Equity Return at 48.7% Common Equity Ratio: 12.0%